

Executive Summary



CITY OF CALEXICO, 608 Heber Avenue, Calexico, California 92231

EXECUTIVE SUMMARY

Government History. The City of Calexico was founded in 1900 and incorporated in 1908 as a general law city. The City encompasses an area of approximately 8 square miles in Imperial County and is situated on the United States-Mexico border, adjacent to Mexicali, Baja California, Mexico. The City is located approximately 125 miles east of San Diego, 230 miles southeast of Los Angeles, and 260 miles west of Phoenix, Arizona. The City is home to approximately 39,337 residents. The City's location provides easy overnight access to all transportation hubs, plus the ports of Long Beach and Ensenada, Baja California. Calexico is a General Law City and has a Council/Manager form of government consisting of five Council Members elected to 4 year over-lapping terms. Other elected positions, which serve the City for 4-year terms, are the City Treasurer and City Clerk.

In addition, the City Council appoints City residents to various boards and commissions, which serve in an advisory capacity to the City Council on issues and projects affecting our City. Some of those boards and commissions are the Planning and Recreation Commissions and Housing Authority and Library Boards.

Calexico began as a tent City of the Imperial Land Company and has grown into an expansive border City. The modern City of Calexico is a far cry from those early days. Today hundreds of acres are devoted to industrial parks with commercial and retail incentives offered to encourage industrial development. The Calexico-County Enterprise Zone provides developer incentives such as state tax credit for wages paid to employees, tax credits for sales tax on qualified purchases of equipment, business expense deductions for property purchased and used within the Enterprise Zone, net operating loss carryover, and net interest deduction on loans. In addition there are local rebate incentives within the Zone for building permit, water/sewer hookup fees, and business license for the first 2 years.

Calexico is a blend of American and Mexican cultures and is conveniently located in close proximity to the metropolitan areas of Mexicali and San Diego. The climate is sunny year-round and offers outdoor recreation, such as golfing, water sports, hunting, fishing, and hiking in areas adjacent to the City. Mexicali, neighbor City to the south, is a cultural and entertainment center, offering ample opportunity for fine dining, theatre, music, and other amenities.

As the City experiences more and more growth, the pressing need to supply the services mandated by law and demanded by residents are critical to the City's future. Our residents have not only health and safety needs, but desire recreation and culture amenities too. The City is making strides in those areas with the completion of the new Cultural Arts Center in 2008 in the historic De Anza Hotel and the renovation of the Carnegie Library, completed in 2009, as a technology center.

Budget Highlights. In the budget for Fiscal Year 2009-10, the City's fiscal health is contingent on the local, State, and national economy. Calexico was impacted in FY 2008-09 and continues to be impacted in the new fiscal year by the declining economy, as reflected in our sales tax and property tax revenues

which make up 44% of our general fund revenues. The City will direct discretionary resources in a manner consistent with the demand for basic services, keeping in mind the health and safety of our residents. The budget was prepared based on the City's commitment to fiscal responsibility and ongoing efforts to utilize non-general fund resources, where available and prudent, to add new, renovate or improve existing facilities and/or capital equipment.

The general fund provides the majority of services to the community, such as public safety (including police and fire protection), parks, recreation, cultural arts, library, and community development services (including building, planning, and engineering). In addition, internal support services such as finance, legal, human resources, fleet, and general government facilities are funded by the general fund. The revenues that pay for these costs mainly come from sales tax, property tax, business licenses, and user fees.

The City prepares an itemized budget for each active fund. The City believes the general fund should be balanced with current revenues and expenditures equal or revenues exceeding expenditures. Strategies used to balance the general fund for Fiscal Year 2009-10, included a user fee study to adjust charges for services provided by the City to residents and businesses based on a percentage of cost recovery, an increase in cost plan allocations which are internal charges for services provided to the non-general fund departments by the general fund, the remaining balance of the gun club property transfer, the unfunding of vacant positions, a 10-day furlough equivalent for all employees (with the exception of police safety taking 18 days), and a 15% reduction in supplies and services budgets. Even with all of these concessions, it will be necessary to use June 30, 2009 ending fund balance to fund budget appropriations.

In January 2007, the City Council held a goal setting session, at which time Council Members met with the City Manager and Department Heads to brainstorm ideas. The result of that workshop was to establish a timeline for short, mid, and long-term goals with a focus on improving technology, providing recreation and cultural facilities, promoting employee recruitment and retention, pursuing downtown revitalization, and studying and evaluating traffic, streets, water, and wastewater facilities. Until economic conditions improve, the City will be taking a conservative approach, focusing mainly on major capital financing of non-general fund infrastructure, improvements, and equipment.

During Fiscal Year 2008-09 the City contracted with a facilitator to assist the City to formulate goals and objectives for 2009-2011. The facilitator held sessions with the City Council and management staff for purposes of identifying customers and stakeholders, to review and improve the mission statement, motto, and vision, to address issues and opportunities, to determine strategies and tactics, and identify responsibilities. At the time of budget approval, this project has not yet been completed.

The City is funding projects during the ensuing fiscal year under the Enterprise Activities, which includes Wastewater Treatment and Collection, Water Treatment and Distribution, Transit, and Airport. Some of the projects and equipment slated for Fiscal Year 2009-10 are as follows:

- The City issued 30-year water bonds in 2007 in the amount of \$14 million to expand and install equipment and facilities. The improvements continue in Fiscal Year 2009-10.

- State and Federal Airport grants will provide funding for construction of the Anza Road access, Phase III Airport Project in the amount of \$2.47 million.
- The Wastewater Department is in the process of issuing bonds in the approximate amount of \$30 million for improvements to existing facilities and expansion.

The Police Department through a JAG grant will purchase a license plate reader and (1) marked police unit at a total cost of \$55,311.

General Services, Streets, and Parks will receive state funding to provide for (4) hybrid vehicles. These vehicles will be purchased through a State grant with a City general fund match of 13.13% for a total City participation of \$45,298, to include (2) hybrid trucks and (1) CNG street sweeper. In addition, the City will purchase (1) mini street sweeper from State grant funds with a 13.13% matching share to be provided by the Redevelopment Agency in the amount of \$8,535. This sweeper will be used to sweep the downtown alleys.

In addition, the City plans street overlay improvement projects in the amount of \$4 million to be funded by Local Transportation Measure D provided through the ½ cent sales tax measure. The tax was placed on the ballot by the State in 2009 and by overwhelming voter approval, renewed for an additional 40 years. The tax was due to sunset in 2010, which means the City would have lost critical resources for the rehabilitation of our local streets system.

There were no new major projects in the budget for Fiscal Year 2008-09 to be paid with Redevelopment funds, but in Fiscal Year 2009-10 new projects included in the budget are the renovation of the Camarena Library and replacement of air conditioning units in the amount of \$125,000 and the City Hall door replacement to accommodate handicap accessible entry to the building. In addition the budget includes a carryover of projects such as the First Street Promenade, renovation of the Tourist Parking Lot, fire department restroom and showers renovation, and armory building from the Fiscal Year 2007-08.

In order to provide for unforeseen General Fund costs, a Provision for Contingencies has been budgeted at \$50,000 in the Fiscal Year 2009-10. For FY 2008-09 the adjusted budget had been reduced to zero for contingencies, because of the need to cut appropriations and expenditures during the year. The funds can be appropriated only by City Council action in this fund.

The rates for the State of California Public Employees Retirement System have been adjusted for the City of Calexico to reflect a normal employer contribution rate for miscellaneous members of 2.386%. The City also contributes the 7% employee share for a total rate of 8.386% for miscellaneous members. The new normal employer contribution rate for safety members is 19.665%, plus 9% employee share for a total rate of \$28.665. The Chart below indicates the total employer and employee percentage by fiscal year for safety members.



CalPERS Safety Rates

Fiscal Year	Percent
2002-03	13.471%
2003-04	16.826%
2004-05	26.998%
2005-06	27.240%
2006-07	28.190%
2007-08	29.357%
2008-09	29.414%
2009-10	28.665%

Financial Information. The Adopted Budget for Fiscal Year 2009-10 reflects total appropriations of \$81.7 million. The City's Adopted Budget for Fiscal Year 2009-10 is organized by the following Functions:

- General Government
- Public Protection
- General Services
- Community Services
- Enterprise Activities
- Community Redevelopment Agency

Pie Chart 1 below depicts the services provided to City residents by functional classification of appropriations. The Adopted Budget Appropriations for Fiscal Year 2009-10 reflected in Chart 1 show the largest segment is Enterprise Activities with a projected budget of \$31.9 million or 39% of total expenditures, mainly due to the capital improvement projects planned for this fiscal year. Redevelopment is the second largest segment of the total appropriations in the amount of \$16.2 million or 20%, due to debt service payments on RDA bonds and to the many housing programs offered by the housing division of the Calexico Community Redevelopment Agency through federal grant funds. Third, Public Protection comprises 19% of the total budget or \$15.3 million, which includes Police Protection, Fire Protection, and Community Redevelopment Agency.

Adopted Budget FY 2009-10
Appropriations by Governmental Function

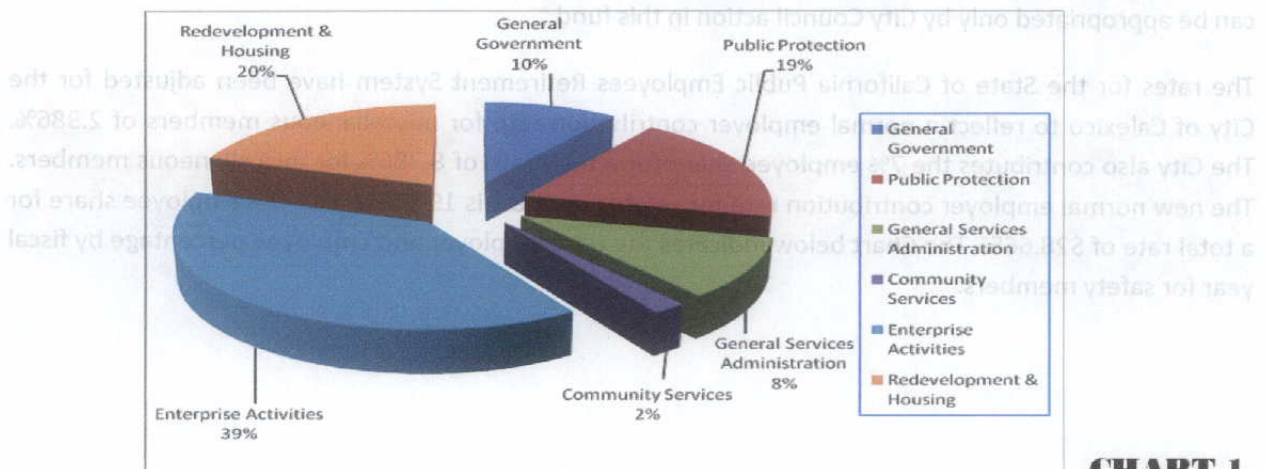


CHART 1

Adopted Budget FY 2009-10
General Fund Revenues by Category

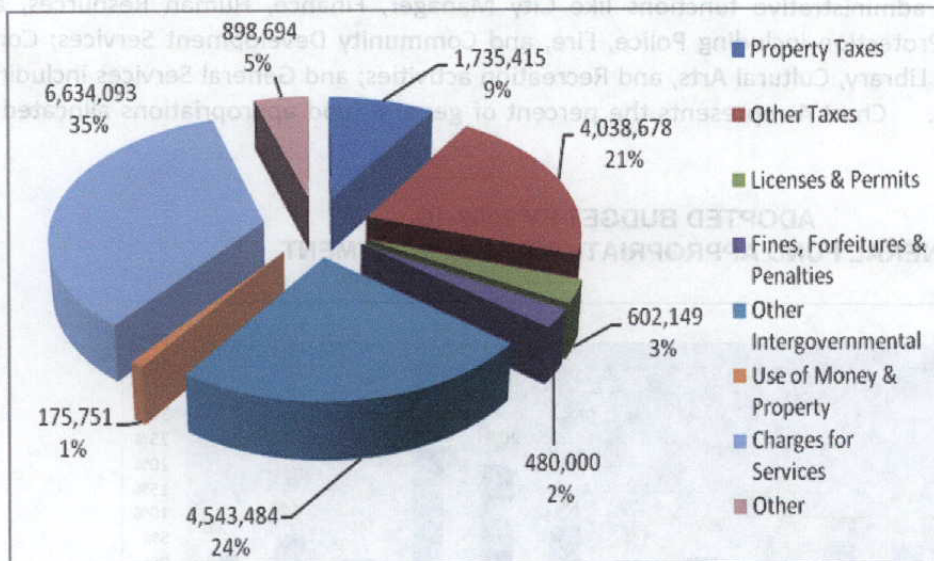


CHART 2

Beginning in Fiscal Year 2007-08 the General Fund revenues generated by a department were reflected with the appropriations of each budget unit, resulting in the net cost of the budget unit. Non-departmental General Fund revenues continue to be shown on a separate schedule, because as their title indicates, they are not department related.

Chart 2 represents the total General Fund revenues for Fiscal Year 2009-10 at \$19.1 million of which departmental revenues make up 31% or \$5,939,505. General Fund non-departmental revenues in the amount of \$13,168,759, such as sales taxes, property taxes, business licenses, and indirect costs help fund any negative net cost in departmental budget units.

Adopted Budget FY 2009-10
General Fund Appropriations by Category

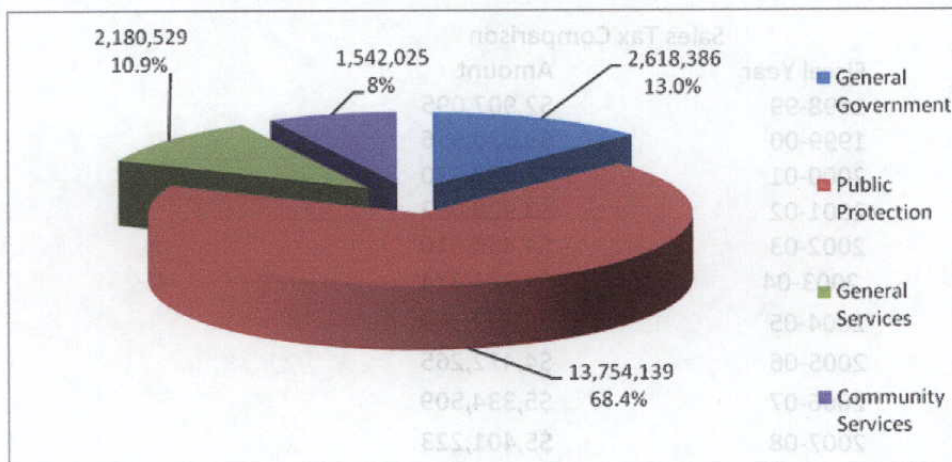


CHART 3

General Fund appropriations are comprised of the following: employee salaries and benefits, supplies and services, and capital outlays. The appropriations are categorized in Chart 4 by General Government including various administrative functions like City Manager, Finance, Human Resources, and City Attorney; Public Protection including Police, Fire, and Community Development Services; Community Services including Library, Cultural Arts, and Recreation activities; and General Services including Parks, Fleet, and Streets. Chart 4 represents the percent of general fund appropriations allocated to each department.

**ADOPTED BUDGET FY 2009-10
GENERAL FUND APPROPRIATIONS BY DEPARTMENT**

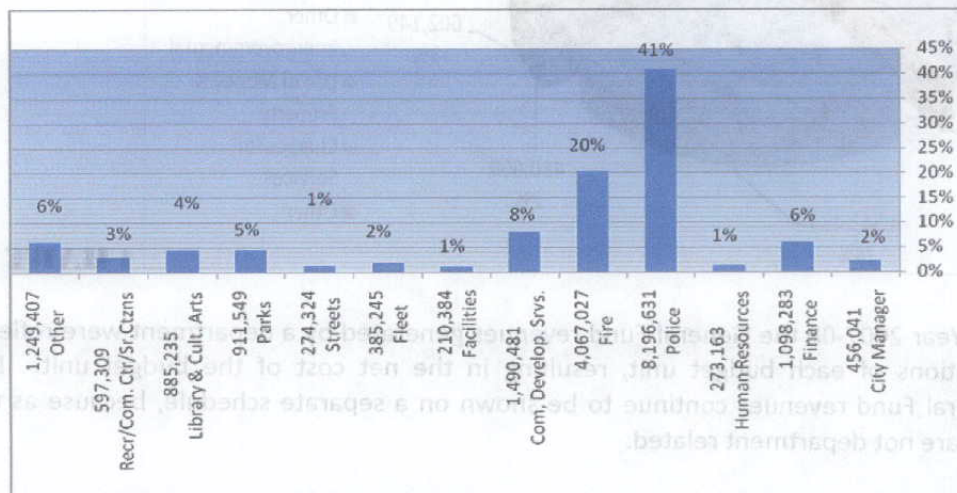


CHART 4

Sales and use tax revenue is projected to decrease an estimated \$254,919 over FY 2008-09. The following graph shows the growth of the sales and use tax for the past 10 years, including sales tax in-lieu beginning in Fiscal Year 2004-05. Sales tax is the City's largest General Fund revenue source representing 21% of total revenue. The City strives to attract diverse economic development to enhance its sales tax base through the City's Community Development Services Department and the Callexico Chamber of Commerce.

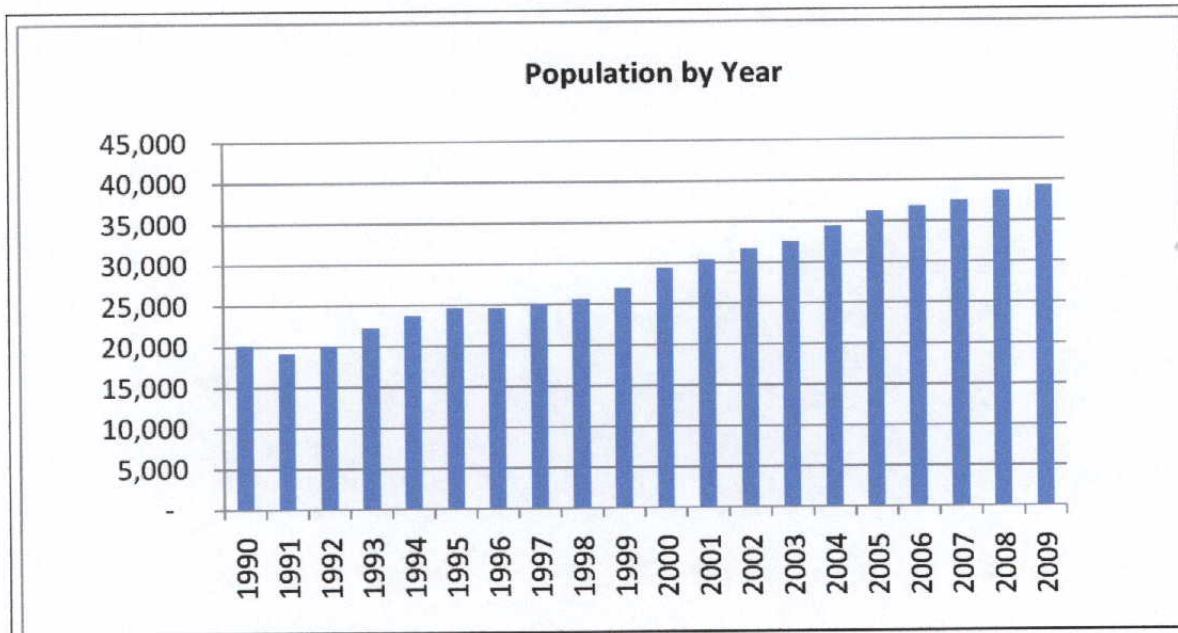
Sales Tax Comparison

Fiscal Year	Amount
1998-99	\$2,907,095
1999-00	\$3,670,556
2000-01	\$4,007,330
2001-02	\$3,928,092
2002-03	\$4,450,610
2003-04	\$4,323,874
2004-05	\$4,362,600
2005-06	\$4,472,265
2006-07	\$5,334,509
2007-08	\$5,401,223
2008-09	\$5,369,355
2009-10 (Budget)	\$3,984,401

Population. The City's population has grown by 12,319 over the past 10 years or 46%. The following graph shows the increase in population over the past 20 years.

**POPULATION GROWTH
20 YEAR PERIOD**

Year	Population	Year	Population	Year	Population
1990	20,205	1997	25,167	2004	34,420
1991	19,198	1998	25,647	2005	36,274
1992	20,066	1999	27,018	2006	36,840
1993	22,246	2000	29,390	2007	37,552
1994	23,708	2001	30,410	2008	38,733
1995	24,639	2002	31,778	2009	39,337
1996	24,699	2003	32,602		



The City Council adopted the Final Budget on September 22, 2009 and at that time the City Council reviewed department requests and management recommendations and determined funding based on critical need or available resources.

The budget reflects (10) position allocations not funded in General Fund for Fiscal Year 2009-10 due to budget cuts necessary to balance the General Fund. Those positions are (1) Senior Police Officer, (4) Police Officer Recruits, (1) Dispatcher, (1) Records Supervisor, (1) Traffic Controller, (1) Administrative Assistant, and (1) Custodian. Additional cuts of 15% in all General Fund departments were approved as part of the cost savings measure, as well as all employees taking furlough days to help pay for the budget shortfall.

The City will continue to monitor the health insurance fund to ensure the plan continues on its course to building sufficient reserves and proposes to increase the reserves incrementally in the next 2-3 years by 12%. The employees' share of medical insurance premiums above the City paid cap, will be paid by the City for Fiscal Year 2009-10.

The City contracted with Maximus, Inc. to perform a user fee study to address user fees in order to recover the full cost of providing services to the public. The fees were approved in September 2009 and will be implemented in October and November 2009 per ordinance and resolution of the City Council. The revenue for increased fees for Community Development Services, Police, Fire, Community Center, and Utility Services are projected in the Adopted Budget for FY 2009-10.

In addition Maximus, Inc. performed an indirect cost allocation study to implement a cost plan for indirect charges to non-general funds, such as enterprise, street, redevelopment, and grant funds. Those fees for services provided internally by the general fund to non-general fund departments has been adopted and the increase in indirect cost included in the adopted budget for Fiscal Year 2009-10.

